

OPPORTUNITY ZONES





April 24, 2019
Indian Head Pavilion
100 Walter Thomas Road, Indian Head MD
20640







AGENDA

- 1. Welcoming Remarks by Mayor Brandon Paulin
- 2. Introduction from Lt. Governor Rutherford and Introduction of Members
- 3. Approval of Minutes from March 14, 2019 Meeting
- 4. DHCD Information Exchange live presentation Frank Dickson
- 5. Public comment Question & Answer
 - Elected Officials
 - County Economic Developers
 - General Public
- 1. Next Regional Meeting Baltimore City (Mid-May)
- 2. OZ Important Links:
 - Task Force contact Email: MD.OpportunityZones@maryland.gov
 - Lt. Governor's webpage: <u>ltgovernor.maryland.gov/opportunityzones</u>
 - DHCD information exchange: <u>dhcd.maryland.gov/OpportunityZones</u>
- 3. Closing Remarks by Lt. Governor

OZ Milestones



•	December 2017	H.R. 1 - Opportunity Zone Legislation	passes
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March 2018 Governor Hogan submits nominated OZs

June 14, 2018 US Treasury designates Maryland's 149 Opportunity Zones

July 30, 2018 DHCD / Commerce hold Opportunity Zone Conference

October 18, 2018 IRS Guidance

• January 3, 2019 Governor Hogan announces OZ Initiatives & Launch of OZ Info-Exchange

• February 20, 2019 Governor's OZ Leadership Task force – Kickoff meeting

• February 22, 2019 Closed NBWOZ loan to Clene Nanomedicine, Inc.

• March 14, 2019 Governor's Regional OZ Meeting - Salisbury, MD

April 17, 2019
 IRS Guidance – REG-120186-18

• April 24, 2019 Governor's Regional OZ Meeting - Indian Head, MD

May 2019 OZ Task Force meeting to be held in Baltimore City

• Summer/Fall 2019 IRS Guidance – Reporting and loose ends

MARYLAND OPPORTUNITY ZONES GOVERNOR Hogan'S OZ Initiatives



Governor Hogan signed Executive Order 01.01.2019.01

"Creates Maryland Opportunity Zone Leadership Task Force chaired by Lt. Governor Rutherford."

- Hosts regional summits for local stakeholders input
- Develops a plan to optimize federal, state and local investment

OZ Legislative / Funding - "More Opportunities for Maryland" -\$56M proposed funding

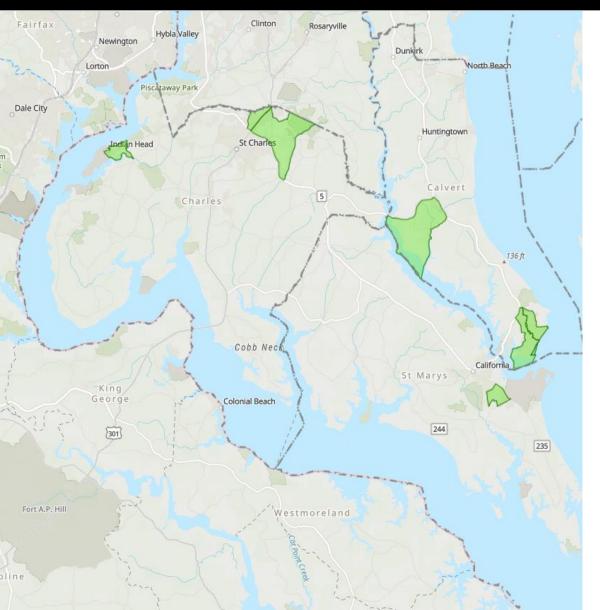
- COMMERCE "More Jobs for Marylanders" Tax credits for creating new jobs / expanding job in OZs
- LABOR Workforce training
- HOUSING Grants & loans
 - Rental Financing, Strategic Demolition, Neighborhood Business Works



MARYLAND OPPORTUNITY ZONES

Southern Maryland OZs





County	# of OZs	Cities
Charles	3	Indian Head, Waldorf
Calvert	1	Prince Frederick
St Mary's	2	Lexington Park
Total OZs	6	



MARYLAND OPPORTUNITY ZONES

Southern MD – Businesses / Projects



Jurisdiction		Business / Project Name	<u>Type</u>	Description	<u>City</u>
Calvert	3	Patuxent Business Park	Office	PATUXENT BUSINESS PARK in Calvert County Maryland. Join others currently under contract to build on shovel-ready acreage in Southern Maryland. Water and sewer, natural gas, fiber. OPPORTUNITY ZONE LAND has multiple sites available, local, state and federal incentives. FAST TRACK for building permits is in place, ready for your new project!	Lusby
Calvert		Grey Ops	Mfg.	Grey Ops owns the licensing rights to a product called "Silent Spring." The Silent Spring product incorporates a novel Improvised Explosive Device (IED) neutralizing technology. When poured onto primary explosives, the Silent Spring product immediately mitigates the risk associated with explosive blasts and allows for the safe transportation of volatile substances to forensic laboratories.	Lusby
Charles	2	Waldorf Center Mixed medical, flex space, hotel, r Use Residence Inn and numero		This planned, mixed-use property has over 18 acres available for development for uses including office, medical, flex space, hotel, restaurants, and multi-family. Waldorf Center is home to the Marriott Residence Inn and numerous medical and professional services firms. Certified site eight-month delivery is available for a new, fully permitted, 20,000-square-foot Class A building.	Waldorf
St. Mary's	1	Class A Business Park located on a 9.85 Acre Parcel Zoned Medium Intensity Mixed Use in Lexington Park, MD	Mixed Use	Class A Business Park located on a 9.85 Acre Parcel in Lexington Park, MD Zoned Medium Intensity Mixed Use Lexington Park is home to Naval Air Station Patuxent River, where \$40 billion of Navy procurement, research, development, test and evaluation takes place every year	Lexington Park





Background on Opportunity Zones



Mhys



Opportunity Zones will help connect low-income communities with needed capital.

- Capital U.S. households and corporations were sitting on an estimated \$6.1 trillion in unrealized capital gains at the end of 2017.
- Connect Opportunity Zones offer a frictionless way for investors to dedicate all or a portion of their winnings to seeding the next generation of enterprise in distressed communities all across the country. In exchange, investors get a graduated series of federal tax incentives tied to long-term holdings.

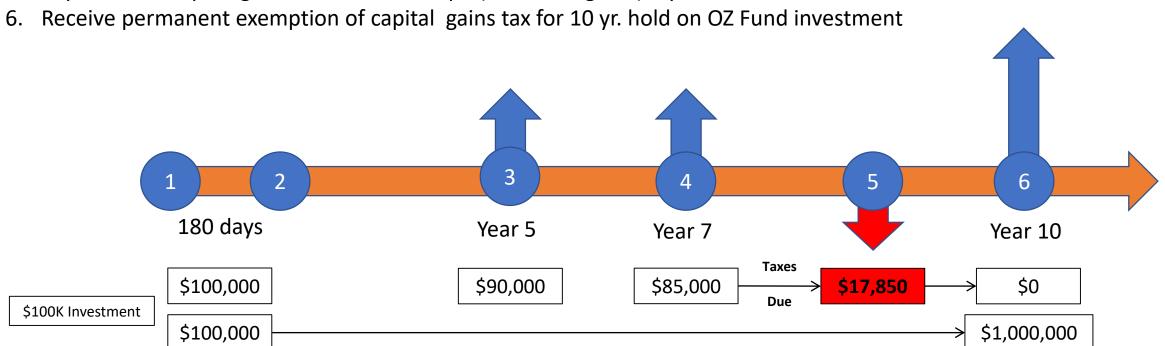
"Subchapter Z—Opportunity Zones "Sec. 14002—1. Designation. "Sec. 14002—2. Special roles for capital gains invested in opportunity zones. "(a) QUALIFIED OFFORTUNITY ZONE DEFINED.—For the purposes of this subchapter, the term 'qualified opportunity zone' me census tract that is a low-income community that is designated as a qualified opportunity zone. "(a) QUALIFIED OFFORTUNITY ZONE DEFINED.—For the purposes of this subchapter, the term 'qualified opportunity zone. "(b) DESIGNATION.— "(c) DESIGNATION.— "(l) IN GENERAL.—For purposes of subsection (a), a population census tract that is a low-income community is designated opportunity zone if— "(a) notifies the Secretary in writing of such nomination, and "(b) notifies the Secretary in writing of such nomination, and "(c) Original Control of the Secretary in writing of such nomination, and "(c) EXTENSION OF PERIODS.—A chief executive officer of a State may request that the Secretary extend either the determination period, or both (determined without regard to this subparagraph), for an additional 30 days. "(c) OTHER DEFINITIONS.—For purposes of this subsection (b) and additional 30 days. "(d) LOW-INCOME COMMUNITIES.—The term 'low-income community' has the same meaning as when used in section 45D "(a) DEFINITION OF PERIODS.— "(a) DEFINITION OF PERIODS.— "(b) DETERMINATION PERIOD.—The term 'consideration period' means the 30-day period beginning on the date of the 13th and 16th	
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"(B) the Secretary certifies such nomination and designates such tract as a qualified opportunity zone before the end of the period. "(2) EXTENSION OF PERIODS.—A chief executive officer of a State may request that the Secretary extend either the determined of the consideration period, or both (determined without regard to this subparagraph), for an additional 30 days. "(c) OTHER DEFINITIONS.—For purposes of this subsection— "(1) LOW-INCOME COMMUNITIES.—The term 'low-income community' has the same meaning as when used in section 45D. "(2) DEFINITION OF PERIODS.— "(3) DEFINITION OF PERIODS.—The term 'low-income community' means the 30-day period beginning on the date on white the constitution of	ted-
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Source: EIG analysis of the Federal Reserve's Survey of Consumer Finances and Financial Accounts of the United States

OZ Investment



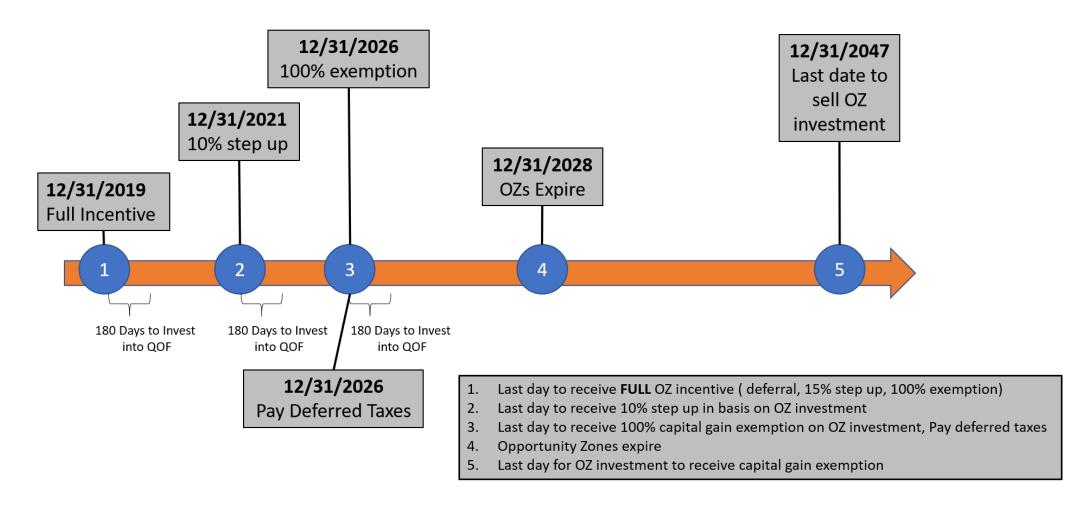
- 1. Realize gain from any capital gain triggering event
- 2. Invest in OZ Fund within 180 days
- 3. Receive 10% step up basis for 5 yr. hold of OZ Fund investment
- 4. Receive additional 5% step up basis for 7 yr. hold of OZ Fund investment
- 5. Pay deferred capital gain taxes due for Step 1(85% of original) by 12/31/2026







OZ Incentive Timeline







Investors

- Most valuable for 10 year investments in appreciating assets
- Six months to invest after realizing a capital gain
- Another six months to deploy
 90% of capital in Zones
- Capital is required to be an equity investment

Funds

- All capital must flow through an Opportunity Zone Fund
- Opportunity Zone Funds must be established
- Opportunity Zone Funds are self-certified via an IRS tax form
- 90% of fund assets must be invested in Opportunity Zone

Investments

- Must be equity investments
- Real estate investments must include substantial rehabilitation
- "Sin businesses" are not eligible
- Other requirements include property use in "active conduct of business" and limits on assets held in cash









(Capital Gain)

- Realize gain from any capital gain triggering event
- Investor elects for deferral by completing IRS Form 8949
- Invest into OZ fund within 180 days







- Invest 90% of funds into QOZB
- Funds self certify with IRS Form 8996
- **Annual Reporting**



Tech Startup

- 50% Revenue within OZ
- 70% Assets within O7
- <5% of assets in cash
- Not a "sin business"
- Substantial portion of intangible property is used in the active conduct of the business

Benefits:

5 YR HOLD - tax deferral, 10% step up

180 days

- 7 YR HOLD tax deferral, 15% step up
- 10 YR HOLD tax deferral, 15% step up, 100% cap gain exemption

180 days

Investment - Real Estate









180 days

Single Asset Real Estate

- Realize gain from any capital gain triggering event
- Investor elects for deferral by completing IRS Form 8949
- Invest into OZ fund within 180 days

(Partnership / Corporation)

OZ Fund

- Invest 90% of funds into QOZB
- Funds self certify with IRS Form 8996
- Annual Reporting

- Substantially Improve real estate (100% of Building value)
- 31 month written expenditure plan for cash invested

Benefits:

- 5 YR HOLD tax deferral, 10% step up
- 7 YR HOLD tax deferral, 15% step up
- 10 YR HOLD tax deferral, 15% step up, 100% cap gain exemption



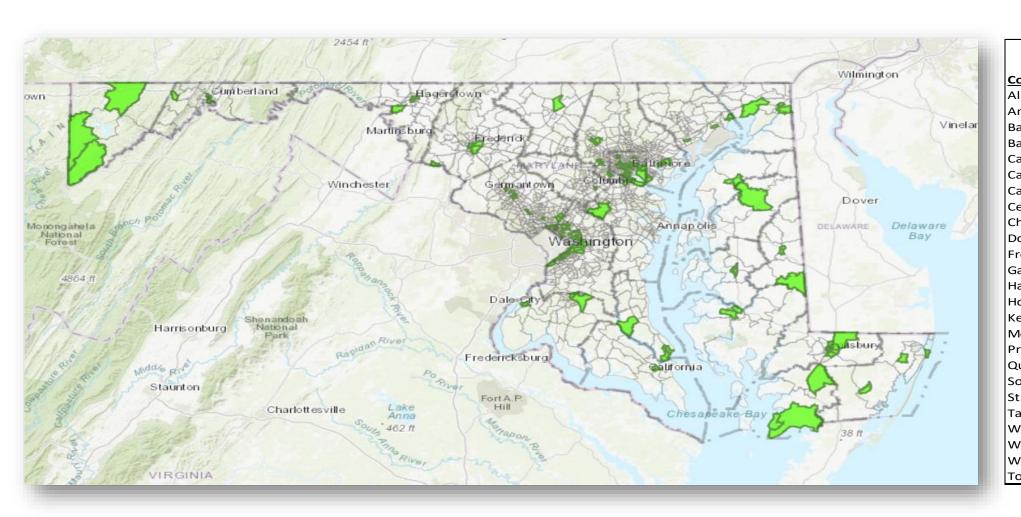


Maryland Opportunity Zones









	# of Designated
	Opportunity
ounty	Zones
llegany	4
nne Arundel	4
altimore County	10
altimore City	42
alvert	3
aroline	2
arroll	1
ecil	3
harles	3
orchester	2
rederick	3 2 1 3 3 2 5 3 4 1
iarrett	3
larford	4
loward	1
ent	1
l ontgomery	14
rince George's	25
lueen Anne's	1
omerset	3
t. Mary's	1
albot	2
Vashington	1 3 1 2 5 7 3
Vicomico	7
Vorcester	3
otal	149

MARYLAND OPPORTUNITY ZONES



State and Departmental Recommendations

- Align Maryland policies, regulations, and legislation to leverage Opportunity Zones
- Work with local jurisdictions on "One Stop" permitting
- Coordinate with federal, state, local government, developers and investors
- DHCD update Qualified Allocation Plan (QAP) to provide multifamily housing incentives
- DHCD provide loans and grants to leverage Opportunity Zone investments
- DHCD establish information exchange to attract private sector capital

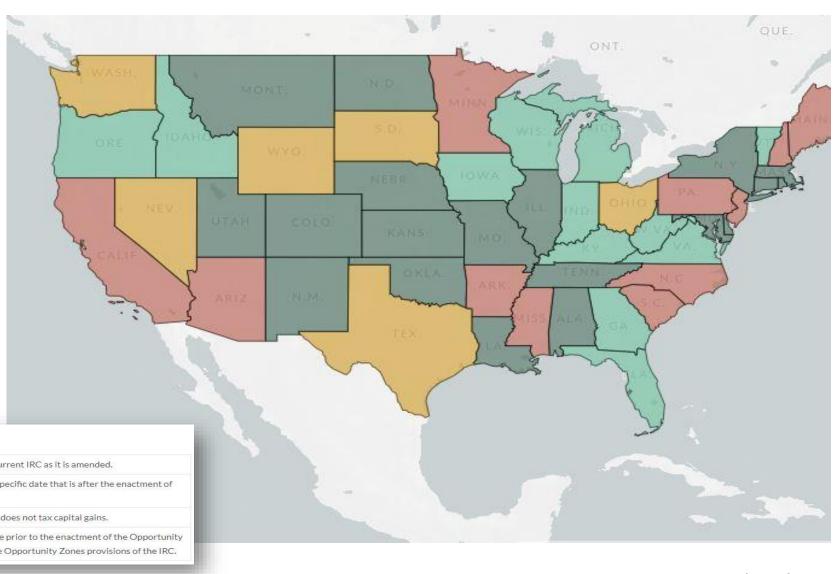


MARYLAND OPPORTUNITY ZONES

Conformity to Federal Tax Code



- In Maryland, both personal and corporate income taxes use federally calculated AGI as the starting point
- Maryland automatically conforms to the current federal tax code



Conforming - Ro

Legend

Conforming - Rolling: The state automatically conforms to the current IRC as it is amended.

 $Conforming - Fixed \ Date: The state \ conforms \ to \ the \ IRC \ as \ of \ a \ specific \ date \ that \ is \ after \ the \ enactment \ of \ the \ Opportunity \ Zones \ legislation.$

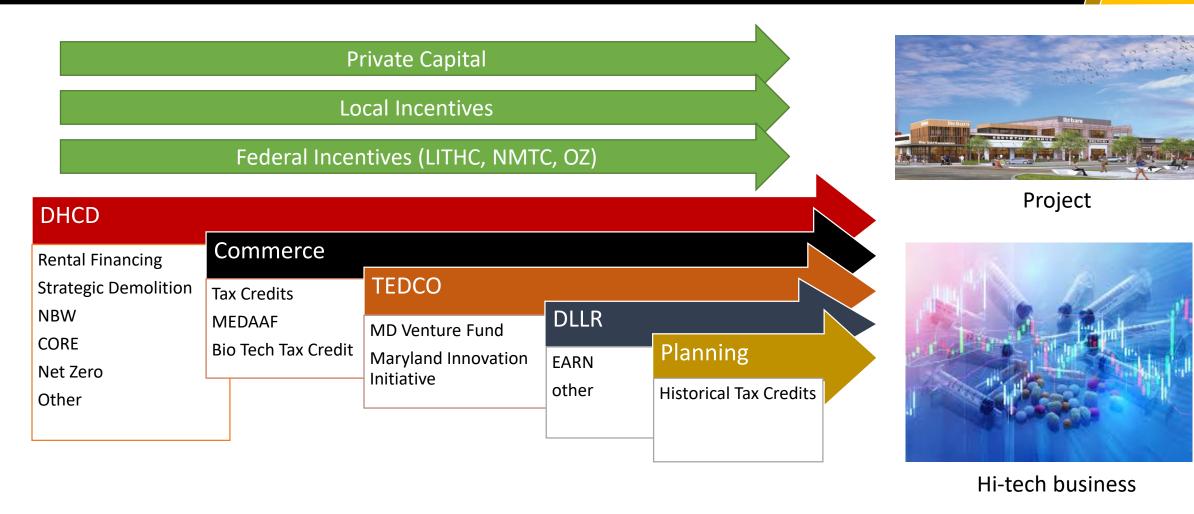
No Capital Gains: The state has no state income tax or generally does not tax capital gains.

Nonconforming: The state conforms to the IRC as of specific date prior to the enactment of the Opportunity Zones legislation or the state has specifically decoupled from the Opportunity Zones provisions of the IRC.

Source - Novogradac website

State - OZ Collaboration





DHCD's multiple funding programs can make a concentrated impact in OZs when combined with other State agencies and the private marketplace.





Opportunity Zones – Information Exchange

Information Exchange



- A virtual meet up for investors, fund managers, property developers, new or expanding businesses, and local stakeholders
- A bulletin board tracking OZ news and investment activity
- A project / business locator for interested investors
- A search tool for financial incentives based on address and/or area

Vineland

968 ft · (n)

Philadelphia

Wilmington

Dover

Opportunity Zone Listings Altoona 1.539 Acre Parcel, Zoned High-Intensity Mixed PENNSYLVANIA Reading Use, in Lexington Park, MD 3128 ft Harrisburg Project - Mix 102 W. Potomac Street - Brunswick Lancaster Project - General 846 ft Chambers burg 108.41 Acre Parcel Zoned High-Intensity Mixed Use in Lexington Park, MD Project - Mix agerstown antown 1100 Wicomico **Project - Office** Martinsburg 1231 Tech Court **Project - Office** MARYLAND 17.798 Acre Parcel Zoned Limited Commercial antown Winchester Industrial in Lexington Park, MD **Project - Retail** Annar Monongahela 1787 Capital National Fund - Mix 1812 Greenmount Project - Mix 2.21 Acre Parcel, Zoned High-Intensity Mixed Harrisonburg Use in Lexington Park, MD Project - Mix Fredericksburg 2.34 Acre Parcel Zoned High-Intensity Mixed Use in Lexington Park, MD Staunton Fort A.P. Project - Mix Charlottesville Chesapeake Bay VIRGINIA Project - Mix Richmond 22.286 Acre Parcel Zoned High-intensity Lynchburg Esri, HERE, Garmin, FAO, USGS, EPA, NPS

[1] AGREE AND UNDERSTAND

Listing Contact Information

↑ 1 of 130
 ▶

1.539 Acre Parcel, Zoned High-Intensity Mixed Use, in Lexington Park, MD

Listing Type:

Project

Description:

1.539 acre parcel in Lexington Park, MD zoned highintensity mixed use. About Lexington Park Lexington Park in St. Mary's County, Maryland offers coastal, country living in a high-tech world. With the most coastline of any county in Maryland and tobacco barns peppering the landscape, you can experience beautiful, bucolic landscapes and perfectly prepared raw oysters. Lexington Park is home to Naval Air Station Patuxent River, where \$40 billion of Navy procurement, research, development, test and evaluation takes place every year. That brings a substantial base of highly-skilled engineers, lawyers, and other business professionals, as well as advanced manufacturing trades. Economic Snapshot -Has the country's 5th highest concentration of high-tech

workers - Ranked the 4th best place for tech jobs in the

income per household in 2016: \$86,810 - 55 miles from

country (Nerdwallet) - 34 is the median age - Average

Address:

Washington, D.C.

46231 CORPORATE WAY, Lexington

Park, Maryland 20653

Jurisdiction:

St. Mary's

Contact Information:

Christine Brooks

christine@millisonmanagement.com

Click the symbol on map to get more specific information on this product

- 2.59 Acre Parcel Zoned High Intensity Mixed
- Use in Lexington Park, MD Project - Mix
- 200-204 East Diamond Avenue
- Mixed Use in Lexington Park, MD

Seclect a product from list to get more information



OPPORTUNITY ZONES



OZ Important Links:

- Task Force contact Email:
 - MD.OpportunityZones@maryland.gov
- Lt. Governor's webpage: ltgovernor.maryland.gov/opportunityzones
- DHCD information exchange: dhcd.maryland.gov/opportunityzones

Questions Contact:

Frank Dickson
Director, Strategic Business Initiatives
Department of Housing and Community Development
Frank.dickson1@maryland.gov
301.429.7425